

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

June 2, 1999

IN RE:)	
PETITION OF CHATTANOOGA GAS COMPANY)	
TO MAKE PERMANENT THE COMPANY'S)	DOCKET NO.
EXPERIMENTAL GAS RESIDENTIAL AND)	96-01174
NON-RESIDENTIAL MAIN SERVICE EXTENSION RULE)	

**ORDER APPROVING EXPERIMENTAL GAS RESIDENTIAL AND NON-
RESIDENTIAL MAIN SERVICE EXTENSION RULE ON A PERMANENT BASIS**

This matter came before the Tennessee Regulatory Authority (hereafter the "Authority") at a regularly scheduled Authority conference held on May 18, 1999, for consideration of the petition of Chattanooga Gas Company (hereafter "Chattanooga Gas" or the "Company") requesting approval, on a permanent basis, of the Revised Main and Service Line Extension Rules of the Company's tariff.

BACKGROUND

On July 24, 1996, Chattanooga Gas filed a petition with the Authority for approval of a Revised Main and Service Line Extension Rule. In its petition, the Company requested revisions to the methods of calculating the costs to be recovered from extending a natural gas service line to residential or non-residential customers. The Consumer Advocate Division (hereafter the "Advocate") filed a petition to intervene in this matter on July 30, 1996. After reviewing the matter and meeting with the Company, the Advocate issued a letter on September 25, 1996, stating that it had no objection to the petition filed by Chattanooga Gas. The matter then came before the Authority at a regularly scheduled Authority conference on October 15, 1996.

On December 19, 1996, the Authority issued an order approving the Petition of Chattanooga Gas Company for a Revised Main and Service Line Extension Rule. The Order stated that the rule would be experimental for a two year period following the date of the Order, with a review to be conducted by the Authority at the end of the two years for the purpose of determining whether the rule should be continued, modified, or terminated. The experimental rule allowed the Company to change the calculation of allowable investment for free extension of mains and service lines from a flat footage allowance to a formula based allowance. The formula based allowance (the amount the Company will invest before requiring a customer to pay a contribution) was derived by dividing estimated future net revenues received from the new extension by the Company's annual carrying charge for the investment.

On December 17, 1998, the Company petitioned the Authority to have the experimental rule become permanent. On December 22, 1998, the Advocate filed a data request for additional information to which the Company responded on January 8, 1999. At a regularly scheduled Authority conference on February 2, 1999, the Directors appointed the General Counsel of the Authority to serve as the Hearing Officer in this matter. On April 21, 1999, the Company and the Advocate filed revised Rules and Regulations pertaining to residential and non-residential main and service extensions together with a statement that such revised rules are acceptable to both parties. A copy of the statement between the parties together with the parties' revised form of the Rules and Regulations pertaining to residential main and service extensions and non-residential main and service extensions is attached hereto as Exhibit 1.

DISCUSSION OF RULE

The Main and Service Extension Rule addresses when, and to what extent, a customer would be required to contribute to the cost of extending a service line to the customer's location.

More specifically, it deals with the footage allowance that the Company will invest for a new customer before requiring such new customer to make a contribution to offset a portion of the cost. For example, a new customer whose house is located close to the street will probably not be required to contribute to the cost of the service line while a customer whose residence is a great distance from the road would be required to pay a portion of the cost of extending the service line to their house. Any contributions received for these main or service line extensions would reduce the overall cost to the Company of the extensions, thereby reducing the Company's costs which are allocated to all of its ratepayers.

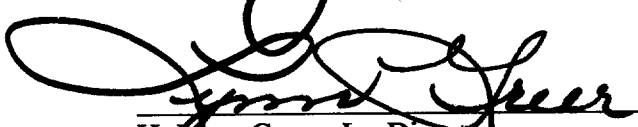
Whereas rules regarding the contributions to the costs of main and service extensions are intended to prevent all customers from having to absorb all of the costs incurred by the Company to provide service to those customers who are located a distance from the street, there is no definitive method for calculating such contributions. The Authority agrees that the revised rules, as jointly submitted by the parties, provide a just and reasonable computation method of calculating the contributions to be charged for main and service contributions.


IT IS THEREFORE ORDERED THAT:

1. The Experimental Rules governing Chattanooga Gas' residential and non-residential main and service extensions are approved, as modified, on a permanent basis to be effective upon the date of this Order of the Authority.
2. Chattanooga Gas will revise TRA No. 2 of its Rules and Regulations for the Company's Gas Service in Hamilton and Bradley Counties, Tennessee, to incorporate the agreed upon changes to the Rules and Regulations.

3. Any party aggrieved by the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within ten (10) days from the date of this Order.


Melvin J. Malone, Chairman


H. Lynn Greer, Jr., Director


Sara Kyle, Director

ATTEST:


K. David Waddell, Executive Secretary

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

IN RE:

PETITION OF CHATTANOOGA GAS
COMPANY

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DOCKET NO. 96-01174

**PETITION OF CHATTANOOGA GAS COMPANY TO MAKE PERMANENT
CHATTANOOGA GAS RESIDENTIAL AND NON-RESIDENTIAL MAIN
AND SERVICE EXTENSIONS - EXPERIMENTAL RULES, CHATTANOOGA GAS
COMPANY RULES AND REGULATIONS, TRA NO. 2**

This matter having been brought before the Tennessee Regulatory Authority by petition of Chattanooga Gas Company filed December 18, 1998, to which the Consumer Advocate requested and was granted an intervention and which was assigned to Richard Collier, General Counsel, as hearing officer for procedural schedule and action.

Comes now the parties who state that the attached revised form of the Rules and Regulations pertaining to residential main and service extensions and non-residential main and service extensions, TRA No. 2 of the Rules and Regulations for Chattanooga Gas Company's gas service in Hamilton and Bradley Counties, Tennessee, are acceptable to the parties and recommend to the hearing officer that such revised rule be submitted for approval to the Tennessee Regulatory Authority to be effective upon order of that Authority.

Respectfully submitted,

CHATTANOOGA GAS COMPANY

By:

William L. Taylor, Jr.
William L. Taylor, Jr. (BPR #450)

By:

W. Ferber Tracy
W. Ferber Tracy (BPR #454)

Spears, Moore, Rebman & Williams
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CONSUMER ADVOCATE DIVISION

By: Vance L. Broemel *by WHT*
Vance L. Broemel *w/permission*

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425 5th Avenue North
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CHATTANOOGA GAS COMPANY

6125 Preservation Drive

Chattanooga, Tennessee 37416

TRA NO. 2

RULES AND REGULATIONS FOR THE COMPANY'S GAS SERVICE

IN

HAMILTON AND BRADLEY COUNTIES, TENNESSEE

Issued By: Harrison F. Thompson
Issued On:

Effective:

APPLICABILITY

These rules and regulations are applicable to consumers served by the Chattanooga Gas Company within the Certificated areas in Bradley and Hamilton Counties.

DEFINITIONS

As herein used:

- "Applicant" means any person who has made application to Company for gas service.
or
"Company" means Chattanooga Gas Company.
- "Commission" means Tennessee Regulatory Authority.
- "Consumer" means an individual, firm, or organization who purchases service at one location under one rate classification contract.
- "Customer"
- "Residential Service" applies to consumers supplied for residential purposes on an individual basis in a single family dwelling or building, or in an individual flat or apartment in a multiple family dwelling or building or portion thereof occupied as the home, residence or sleeping place of one or more persons.
- "Commercial Service" applies to consumers engaged in selling, warehousing, or distributing a commodity, in some business activity or in a profession, or in some other form of economic or social activity (office, stores, clubs, hotels, etc.), and to service which does not directly come in one of the other classifications of service.
- "Industrial Service" applies to consumers engaged in a process which creates or changes raw or unfinished materials into another form or product. (Factories, mills, machine shop, mines, oil wells, refineries, pumping plants, creameries, canning or packing plants, shipyards, etc., i.e., in extractive, fabricating or processing activities.)
- "Distribution System" means the gas pipes owned and operated by the Company for the distribution of gas for delivery to consumers up to but not beyond the point of delivery.
- "Main" means the gas pipe other than service line.

Effective:

Issued By: Kenneth A. Royse
Issued On:

DEFINITIONS (Continued)

- "Point of Delivery" means the outgoing side of the meter(s) or regulator(s) installed and maintained by the Company for the purpose of measuring gas delivered to consumer.
- "Service" means gas service.
- "Special Contract" means a contract for service on forms furnished by the Company.
- "Service Stub" means gas pipe laid from main to consumer's property line.
- "Service Line" means the gas pipe laid from consumer's line to point of delivery.

APPLICATION FOR SERVICE

Service will be rendered by the Company upon application by the consumer for service and the acceptance thereof by the Company.

Company will make extensions of its distribution system pursuant to the provisions hereinafter set forth.

RESIDENTIAL MAIN AND SERVICE EXTENSIONS

Service lines and distribution mains necessary to furnish permanent service to Applicants for Residential Service within established service areas of the Company will be constructed by the Company in accordance with the following provisions:

A. Definitions

- (1) Approach Main - main constructed outside the property boundaries of the development or premises of the Applicant for which gas service is requested.
- (2) Project Main - main constructed within the property boundaries of the development or premises of the Applicant for which gas service is requested.
- (3) Gas Consumption Bulletin - a bulletin showing the estimated annual consumption of various gas appliances by residential customers as determined from time to time by the Company.
- (4) Infill Potential - the estimated additional gas loads that will be served from the Approach Main at locations outside the development or premises for which gas service is requested.

RESIDENTIAL MAIN AND SERVICE EXTENSIONS (Continued)

- (5) Revenues - Revenues shall be computed for the estimated annual consumption at the current rates excluding gas cost, other rider revenues and any taxes added to the customer's bill.

B. General

The Company will construct, own, operate and maintain gas distribution mains generally along public streets, roads and highways which the Company has the legal right to occupy and, at the Company's election, on public lands and private property across which rights-of-way satisfactory to the Company may be obtained without cost to the Company.

The Company will construct, own, operate and maintain a service line of suitable capacity from its distribution main to the curb or right-of-way line of a public street, highway, road or alley upon which the residential structure to be served faces and abuts at no cost to the Applicant. Additional facilities will be provided pursuant to the following provisions.

C. Extension of Main and Service

(1) Calculation of Allowable Investment

- a. The allowable investment in metering and regulating equipment, main and service line to be made by the Company without contribution or payment by the Applicant shall not exceed the Estimated Annual Revenues from the extension divided by the Levelized Annual Carrying Charge Rate applicable to the investment.
- b. The Levelized Annual Carrying Charge Rate shall be calculated by using the weighted average cost of capital as determined in the Company's last rate proceeding adjusted for taxes and depreciation required to recover the Company's investment over the expected economic life of the investment as determined from time to time by the Company. These costs will be discounted at the cost of capital.
- c. The required investment in metering and regulating equipment shall be based on engineering cost estimates as determined by the Company.
- d. The cost per foot for service lines and main extensions will be based upon the system wide average unit cost per foot as determined by the Company from the actual installed cost of such service lines and mains for the latest three-year fiscal period of the Company.
- e. Estimated Annual Revenues shall be based upon the usage of the appliance that the Applicant has committed contractually to install as shown in the applicable Gas Consumption Bulletin of the Company in Appendix A of the Rules and Regulations at the approved rates of the Company in effect when construction of the extension begins less certain direct expenses (meter reading, billing, etc.) and infrastructure expenses (right-of-way crossings, etc.) as approved from time to time.

RESIDENTIAL MAIN AND SERVICE EXTENSIONS (Continued)

- f. To the extent that the extension required investment in Approach Main, Estimated Annual Revenues may also include Revenues associated with Infill Potential, as hereinafter defined, provided, however, that revenues associated with Infill Potential may not exceed fifty percent (50%) of Project Revenues.
- g. "Revenues Associated with Infill Potential" means revenues, adjusted for any additional costs, which, based upon analyses of the Company's extensions for residential service in comparable areas, can be expected within a five year period from the Approach Main in addition to Project Revenues.
- h. The economic life factor used in computing the Levelized Annual Carrying Charge Rate hereunder shall be 15 years where natural gas space heating is installed; 10 years where natural gas water heating is installed as the principal gas appliance and 5 years for any other equipment. The Company reserves the right to recognize any conditions that would make the use of a typical economic life factor imprudent.

(2) Order of Application

- a. The allowable investment shall be applied in the following order to the equipment and facilities required in the extension: metering and regulating equipment; service line; Project Main; and Approach Main.
- b. In the event that the allowable investment is not sufficient to cover the cost of the equipment and facilities required in the extension, the Applicant will be required to pay the excess costs, determined in accordance with the provision of subparagraph (1) above.

(3) Limitations

No allowable investment will be made for auxiliary or incidental uses of gas. The Company shall not be required to provide any connection to the Company's system where such connection may have an adverse impact on existing customers unless the Authority has prescribed a tariff provision designed to eliminate such adverse impact on existing customers.

(4) Length and Location

- a. The length of main required for a main extension or the length of service line will

RESIDENTIAL MAIN AND SERVICE EXTENSIONS (Continued)

be considered as the distance along the shortest practical route, as determined by the Company, from the Company's nearest distribution main capable, in the opinion of the Company, of properly supplying the Applicant. Irrespective of the total allowable investment, the Company shall not be required to extend a main or service line a greater distance than necessary in the judgment of the Company to serve an Applicant.

- b. The service line shall be of the size and type required to supply the principal requirements of the premises served, and shall extend from the curb to the first reasonably acceptable meter location as determined by the Company.
- c. Company reserves the right to designate the locations and specifications for the main taps, service lines, curb cocks, meters and regulators and to determine the amount of space which must be left unobstructed for the installation and maintenance thereof. Applicant may request an alteration of such designation and, if consented to by the Company, the cost of such revised designation in excess of the cost of the original Company design shall be borne by the Applicant regardless of whether the length of service line laid as requested by Applicant comes within the allowable investment provided in this rule.

(5) Extensions Beyond the Free Length

a. Payment Provisions

Extensions of mains or service lines beyond the allowable investment will be made by the Company provided that the Applicant pays to the Company the excess cost of such main or service lines. Such payment may be made over 36 months provided that the Applicant executes an appropriate finance agreement with the Company. Interest on unpaid balances shall accrue from the date construction is completed at a rate equal to the then existing prime rate (as defined in the Money Rates Section of the Wall Street Journal) plus 3 percent. The interest rate shall be adjusted on the 1st day of April of each succeeding year to the then existing prime rate plus 3 percent.

b. Adjustment of Allowable Investment and Payments

- (i) A survey will be made by the Company within one year after service is commenced to a Customer at a particular residential unit and in any event within three years after the date of completion of the main extension to determine the appliances or equipment in use at the development or premises of the Applicant served by the extension.
- (ii) If, based upon the appliances or equipment found to be in use, there is a lesser allowable investment than that originally granted and a payment is

RESIDENTIAL MAIN AND SERVICE EXTENSIONS (Continued)

required in addition to any prior payment by the Applicant, such additional payment shall be paid by the Applicant.

- (iii) The Company may grant a reasonable extension of time for the Applicant to install the appliances or equipment originally agreed upon, provided that the failure to install such appliances or equipment was due to reasons beyond the control of the Applicant.

c. No Refund of Payments

There will be no refunds associated with any payments, contributions or advances hereunder.

d. One Service Line for a Single Premises

The Company will not install more than one service line to supply the premises of an individual customer unless for the convenience of the Company or an Applicant requests an additional service line and, in the judgment of the Company, an unreasonable burden would be placed on the Applicant if the additional service line were not installed. When an additional service line is installed under these conditions at the Applicant's request, the Applicant shall pay for the entire length of said additional service line, meter and regulating equipment at the costs provided in subparagraph C (1) above.

e. Relocation of Service

- (i) When in the judgment of the Company the relocation of a service line, including metering and regulating facilities, is necessary to maintain adequate service or for the operating convenience of the Company, the Company shall relocate the same at its expense.
- (ii) If relocation of a service line, including metering and regulating facilities, is for the convenience of the Applicant or the Customer, such relocation shall be performed by the Company at the expense of the Applicant or the Customer.

D. Special Conditions

(1) Contracts

The Applicant will be required to execute a contract covering the terms under which the Company will install mains, services, metering and regulating equipment in accordance with the provisions of these Rules and Regulations. The contract will provide that the Applicant will install, commence using in a bona fide manner within six months after the date of the completion of the extension and continue to so use for

RESIDENTIAL MAIN AND SERVICE EXTENSIONS (Continued)

a period of five years, those appliances and items on which the Company's allowable investment is based. Such contract will also provide that if the Applicant fails to take service or fails to install one or more of such appliances or items, the Company may calculate and bill the Applicant and the Applicant shall pay an amount according to the Company's residential main and service extension rules in effect at the time the extension was made as if service had been requested on the basis of the actual appliances and equipment installed and utilized. If the Applicant is a developer or builder, the Applicant will install all the appliances on which the extension was based within three years of completion of the total project or shall pay the Company in accordance with the provisions of subparagraph C (5) (b) above.

(2) Periodic Review

The Company will periodically determine the system wide average costs of construction of mains, services and metering and regulating equipment, and publish the average costs by April 1st of each year as Appendix A to this tariff and file those updates with the Tennessee Regulatory Authority with a proposed effective date of three months from the date of filing.

(3) Extension for Temporary Service

Extension for temporary service or for operations which in the Company's opinion are of a questionable permanence will not be made under this rule, but will be made in accordance with the rule pertaining to temporary service.

(4) Service From High Pressure Mains

Service shall be provided from a normal distribution facility of the Company. Company reserves the right, at its sole option, to refuse to extend facilities from any of its lines operating at pressures in excess of 125 pounds.

(5) Title to Facilities

Legal and equitable title to all mains installed by the Company upon which an advance, contribution, or other payment has been made, shall be and remain in the Company, and the Company shall have the right without the consent of, or any refund to, any party who made such advance, contribution, or other payment:

- a. To extend the gas main or connect additional gas mains to any part of it.
- b. To serve new additional customers at any time through service connections attached to such main or to extended or connected gas mains.

(6) Exceptional Cases

In unusual circumstances when the application of this rule appears impractical or unjust to either party, the Company or the Applicant may refer the matter to the

RESIDENTIAL MAIN AND SERVICE EXTENSIONS (Continued)

Tennessee Regulatory Authority for special ruling thereon prior to commencing construction.

E. Filings with the Authority

Any filings required to be made with the Authority as a result of this rule shall be filed with the Authority on April 1 of each year. In the event the accounting records necessary to make the required filings are not available to the Company prior to the April 1 filing deadline, the Company shall receive an additional 15 days to file upon filing a written extension request with the Authority prior to April 1.

NON-RESIDENTIAL MAIN AND SERVICE EXTENSIONS

Service lines and distribution mains necessary to furnish permanent service to Applicants for Non-Residential Service within established service areas of the Company will be constructed by the Company in accordance with the following provisions:

A. General

The Company will construct, own, operate and maintain gas distribution mains generally along public streets, roads and highways which the Company has the legal right to occupy and, at the Company's election, on public lands and private property across which rights-of-way satisfactory to the Company may be obtained without cost to the Company.

The Company will construct, own, operate and maintain a service line of suitable capacity from its distribution main to the premises of the Applicant. All such main and service facilities will be provided pursuant to the following provisions.

B. Extension of Main and Service

(1) Calculation of Allowable Investment

- a. The allowable investment in metering and regulating equipment, main and service line to be made by the Company without contribution or payment by the Applicant shall not exceed the Estimated Annual Revenues from the extension divided by the Levelized Annual Carrying Charge Rate applicable to the Investment.

NON-RESIDENTIAL MAIN AND SERVICE EXTENSIONS (Continued)

- b. The Levelized Annual Carrying Charge Rate shall be calculated by using the weighted average cost of capital as determined in the Company's last rate proceeding adjusted for taxes and depreciation required to recover the Company's investment over the expected economic life of such investment as determined from time to time by the Company. These costs will be discounted at the Company's cost of capital.
- c. The required investment in metering and regulating equipment shall be based upon engineering cost estimates as determined by the Company.
- d. The cost per foot for service lines and main extensions will be based upon the system wide average unit cost per foot as determined by the Company from the actual installed cost of such service lines and mains for the latest three-year fiscal period of the Company.
- e. The economic life factor used in computing the Levelized Annual Carrying Charge Rate hereunder shall be 15 years for firm service to apartments, office buildings, churches and schools; and ten years to any other firm service including mobile home parks. For interruptible service the economic life factor shall be five years. The Company reserves the right to adjust the economic life factors to recognize any conditions that would make the use of a typical economic life factor imprudent. The economic life of industrial service shall not be greater than the length of gas service contract in years.
- f. Estimated Annual Revenues shall be based upon the contractual commitment of the customer for annual consumption at the approved rates of the Company in effect when construction of the extension begins less certain direct expenses (meter reading, billing, etc.) and infrastructure expenses (right-of-way crossings, etc.) as approved from time to time.

(2) Order of Application

- a. The allowable investment shall be applied in the following order to the equipment and facilities required in the extension: metering and regulating equipment; service line; and main.
- b. In the event that the allowable investment is not sufficient to cover the cost of the equipment and facilities required in the extension, the Applicant will be required to pay the excess costs, determined in accordance with the provision of subparagraph (1) above.

NON-RESIDENTIAL MAIN AND SERVICE EXTENSIONS (Continued)

(3) Limitations

No allowable investment will be made for auxiliary or incidental uses of gas. The Company shall not be required to provide any connection to the Company's system where such connection may have an adverse impact on existing customers unless the Authority has prescribed a tariff provision designed to eliminate such adverse impact on existing customers.

(4) Length and Location

- a. The length of main required for a main extension or the length of service line will be considered as the distance along the shortest practical route, as determined by the Company, from the Company's nearest distribution main, capable in the opinion of the Company of properly supplying the Applicant. Irrespective of the total allowable investment, the Company shall not be required to extend a main or service line a greater distance than necessary in the judgment of the Company to serve an Applicant.
- b. The service line shall be of the size and type required to supply the principal requirements of the premises served, and shall extend from the Company's main to the first reasonable acceptable meter location as determined by the Company.
- c. Company reserves the right to designate the locations and specifications for the main taps, service lines, curb cocks, meters and regulators and to determine the amount of space which must be left unobstructed for the installation and maintenance thereof. Applicant may request an alteration of such designation and, if consented to by the Company, the cost of such revised designation in excess of the cost of the original Company design shall be borne by the Applicant regardless of whether the length of service line laid as requested by Applicant comes within the allowable investment provided in this rule. Further, the Company may require Applicant to provide both power and phone lines to the location of such metering facilities.

(5) Extensions Beyond the Free Length

a. Payment Provisions

Extensions of mains or service lines beyond the allowable investment will be made by the Company provided that the Applicant pays to the Company the excess cost of such main or service lines.

NON-RESIDENTIAL MAIN AND SERVICE EXTENSIONS - (Continued)

b. Adjustment of Allowable Investment and Payments

- (i) Within one year after service is commenced to a customer, the Company will determine if the annual usage determined in accordance with Section B (I)(e) above has been met.
- (ii) If, based upon the above determination, there is a lesser allowable investment than that originally granted, and a payment is required in addition to the prior payment by the Applicant, if any, such additional shall be paid by the Applicant.
- (iii) The Company may grant a reasonable extension of time for the Applicant to raise annual consumption to the level agreed upon, provided that the failure to reach that level of consumption was due to reasons beyond the control of the Applicant.

c. No Refunds of Payments

There will be no refunds associated with any payments, contributions or advances hereunder.

d. One Service Line for a Single Premise

The Company will not install more than one service line to supply the premises of an individual customer unless for the convenience of the Company or an Applicant requests an additional service line and, in the judgment of the Company, an unreasonable burden would be placed on the Applicant if the additional service line were not installed. When an additional service line is installed under these conditions at the Applicant's request, the Applicant shall pay for the entire length of said additional service line, meter and regulating equipment at the costs provided in subparagraph B (1) above.

e. Relocation of Service

- (i) When in the judgment of the Company the relocation of a service line, including metering and regulating facilities, is necessary to maintain adequate service or for the operating convenience of the Company, the Company shall relocate the same at its expense.
- (ii) If relocation of a service line, including metering and regulating facilities, is for the convenience of the Applicant or the Customer, such relocation shall be performed by the Company at the expense of the Applicant or the Customer.

NON-RESIDENTIAL MAIN AND SERVICE EXTENSIONS - (Continued)

C. Special Conditions

(1) Contracts

The Applicant will be required to execute a contract covering the terms under which the Company will install mains, services, metering and regulating equipment in

accordance with the provisions of these Rules and Regulations. The contract will provide that the Applicant will install, commence using in a bona fide manner within six months after the date of the completion of the extension and continue to so use for a period of five years, those appliances and items on which the Company's allowable investment is based. Such contract will also provide that if the Applicant fails to take service or fails to consume sufficient gas to produce the Estimated Annual Revenues, the Company may calculate and bill the Applicant and the Applicant shall pay an amount according to the Company's non-residential main and service extension rules in effect at the time the extension was made as if service had been requested on the basis of the actual equipment installed and utilized.

(2) Periodic Review

The Company will periodically determine the system wide average costs of construction of mains, services, and metering and regulating equipment, and publish the average costs by April 1st of each year as Appendix A to this tariff and file those updates with the Tennessee Regulatory Authority with a proposed effective date of three months from the date of filing.

(3) Extension for Temporary Service

Extension for temporary service or for operations which in the Company's opinion are of a questionable permanence will not be made under this rule, but will be made in accordance with the rule pertaining to temporary service.

(4) Service From High Pressure Mains

Service shall be provided from a normal distribution facility of the Company. Company reserves the right, at its sole option, to refuse to extend facilities from any of its lines operating at pressures in excess of 125 pounds.

(5) Title to Facilities

Legal and equitable title to all mains installed by the Company upon which an advance, contribution, or other payment has been made, shall be and remain in the Company, and the Company shall have the right without the consent of, or any refund to, any party who made such advance, contribution, or other payment:

NON-RESIDENTIAL MAIN AND SERVICE EXTENSIONS - (Continued)

- a. To extend the gas main or connect additional gas mains to any part of it.
- b. To serve new additional customers at any time through service connections attached to such main or to extended or connected gas mains.

(6) Exceptional Cases

In unusual circumstances when the application of this rule appears impractical or unjust to either party, the Company or the Applicant may refer the matter to the

Tennessee Regulatory Authority for special ruling thereon prior to commencing construction.

D. Filings with the Authority

Any filings required to be made with the Authority as a result of this rule shall be filed with the Authority on April 1 of each year. In the event the accounting records necessary to make the required filings are not available to the Company prior to the April 1 filing deadline, the Company shall receive an additional 15 days to file upon filing a written extension request with the Authority prior to April 1.

SERVICE LINE

Service lines from the main to the meter will be laid by the Company, and will at all times remain subject to the control of the Company. It is not contemplated that in running service lines the Company will put risers in buildings when meters are set above the first floor, in cases of this kind the Company will run the service line to the ground floor or to the basement, but all expenses through and beyond the first floor foundation wall shall be borne by the customer. Service lines will be kept in repair by the Company at its own expense; but any alterations made necessary, such as changing of location, may be done at the customer's expense. The Company does not in any case hold itself responsible for a stoppage, from frost or other cause, of the service lines or house lines. The Company will employ all reasonable means of clearing the lines to the meter, when stopped from any cause. All lines beyond or leading from the meter must be cleared at the customer's expense.

INTERNAL CORRESPONDENCE

#024.01.C

To: Earl Burton

From: Steve Murphy

Subject: FY 1998 Cost of New Mains and Services
Chattanooga Gas Company

Date: April 9, 1999

As requested, New Construction Operations, in cooperation with Plant and Construction Accounting, has prepared a summary of construction cost for new mains and services installed for Chattanooga Gas Company. The costs are based on system-wide averages of new business projects completed during fiscal year 1998. In addition, a three-year rolling average has been prepared by averaging the fiscal year 1998 unit costs with filed costs from fiscal years 1996 and 1997. Please review the following data and feel free to contact me at (404) 584-3753 if you have any questions.

Mains (Steel and Plastic)

<u>Size</u>	<u>FY 1998</u>	<u>FY 1997</u>	<u>FY 1996</u>	<u>Three-year Average</u>
2" and under	\$9.07	\$12.68	\$8.08	\$9.94
4"	\$9.84	\$18.53	\$12.21	\$13.53

Services (Steel and Plastic)

<u>Size</u>	<u>FY 1998</u>	<u>FY 1997</u>	<u>FY 1996</u>	<u>Three-year Average</u>
1-1/4" and under	\$10.47	\$9.40	\$7.93	\$9.27
2"	\$10.46	\$17.17	\$10.43	\$12.69

c: Paula Rosput
Gerald Hinesley
Hank Linginfelter
William Peeples
Jay Sutton
Harry Thompson

**Allowable Investment
Single Family
w/ WH**

Size (sq. ft.)	SH,WH C	SH,WH C, GL	SH,WH GL	SH,WH C, GL, DR	SH,WH C, DR	SH,WH DR
1000	\$770	\$810	\$960	\$920	\$1,000	\$810
1250	\$850	\$890	\$1,040	\$1,000	\$1,080	\$890
1500	\$930	\$970	\$1,120	\$1,080	\$1,170	\$970
1750	\$1,010	\$1,050	\$1,210	\$1,160	\$1,250	\$1,050
2000	\$1,090	\$1,130	\$1,290	\$1,250	\$1,330	\$1,130
2250	\$1,170	\$1,210	\$1,370	\$1,330	\$1,410	\$1,210
2500	\$1,250	\$1,290	\$1,450	\$1,410	\$1,490	\$1,290
2750	\$1,330	\$1,370	\$1,530	\$1,490	\$1,570	\$1,370
3000	\$1,410	\$1,450	\$1,610	\$1,570	\$1,650	\$1,450
3250	\$1,490	\$1,530	\$1,690	\$1,650	\$1,730	\$1,540
3500	\$1,580	\$1,620	\$1,770	\$1,730	\$1,810	\$1,620
3750	\$1,660	\$1,700	\$1,850	\$1,810	\$1,890	\$1,700
4000	\$1,740	\$1,780	\$1,930	\$1,890	\$1,970	\$1,780

Size (sq ft)	SH,WH C	SH,WH C,GL	SH,WH GL	SH,WH C,GL,DR	SH,WH C,DR	SH,WH DR
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Size (sq. ft.)	SH,WH	SH,WH C	SH,WH C ₂ GL	SH,WH GL	SH,WH C ₃ GL,DR	SH,WH C ₃ DR	SH,WH DR	Size	
								(sq. ft.)	SH,WH
500	\$640	\$680	\$840	\$800	\$880	\$730	\$690	400	\$400
600	\$660	\$700	\$860	\$820	\$900	\$740	\$700	500	\$440
700	\$680	\$720	\$870	\$830	\$910	\$760	\$720	600	\$480
800	\$690	\$730	\$890	\$850	\$930	\$770	\$730	700	\$520
900	\$710	\$750	\$910	\$860	\$950	\$790	\$750	800	\$550
1000	\$730	\$770	\$920	\$880	\$960	\$810	\$770	900	\$590
1100	\$740	\$780	\$940	\$900	\$980	\$820	\$780	1000	\$630
1200	\$760	\$800	\$950	\$910	\$1,000	\$840	\$800	1100	\$670
1300	\$770	\$810	\$970	\$930	\$1,010	\$860	\$820		
1400	\$790	\$830	\$990	\$950	\$1,030	\$870	\$830		
1500	\$810	\$850	\$1,000	\$960	\$1,040	\$890	\$850		
1600	\$820	\$860	\$1,020	\$980	\$1,060	\$900	\$860		
1700	\$840	\$880	\$1,030	\$990	\$1,080	\$920	\$880		

**Allowable Investment
Mobile or Manufactured Homes
w/ WH**

SH,WH C	SH,WH C,GL	SH,WH GL	SH,WH C,GL,DR	SH,WH C,DR	SH,WH DR
\$420	\$510	\$490	\$540	\$450	\$420
\$460	\$550	\$530	\$570	\$490	\$460
\$500	\$590	\$570	\$610	\$520	\$500
\$540	\$630	\$600	\$650	\$560	\$540
\$580	\$660	\$640	\$690	\$600	\$580
\$610	\$700	\$680	\$730	\$640	\$620
\$650	\$740	\$720	\$760	\$680	\$650
\$690	\$780	\$760	\$800	\$710	\$690

**Allowable Investment
Single Family
w/o WH**

Size (sq. ft.)	SH	SH,C	SH,C,GL	SH,GL	SH,C GL,DR	SH C,DR	SH,DR	C,SuppH	SuppH
1000	\$80	\$300	\$430	\$400	\$470	\$340	\$300	\$80	\$0
1250	\$150	\$370	\$500	\$470	\$540	\$410	\$370	\$80	\$0
1500	\$220	\$440	\$570	\$540	\$610	\$470	\$440	\$80	\$0
1750	\$290	\$510	\$640	\$600	\$670	\$540	\$510	\$80	\$0
2000	\$360	\$580	\$710	\$670	\$740	\$610	\$580	\$80	\$0
2250	\$430	\$640	\$780	\$740	\$810	\$680	\$650	\$80	\$0
2500	\$490	\$710	\$850	\$810	\$880	\$750	\$710	\$80	\$0
2750	\$560	\$780	\$910	\$880	\$950	\$820	\$780	\$80	\$0
3000	\$630	\$850	\$980	\$950	\$1,020	\$890	\$850	\$80	\$0
3250	\$700	\$920	\$1,050	\$1,020	\$1,090	\$950	\$920	\$80	\$0
3500	\$770	\$990	\$1,120	\$1,090	\$1,150	\$1,020	\$990	\$80	\$0
3750	\$840	\$1,060	\$1,190	\$1,150	\$1,220	\$1,090	\$1,060	\$80	\$0
4000	\$910	\$1,120	\$1,260	\$1,220	\$1,290	\$1,160	\$1,130	\$80	\$0

**Allowable Investment
Multi-Family
w/o WH**

Size (sq. ft.)	SH	SH,C	SH,C,GL	SH,GL	SH,C GL,DR	SH C,DR	SH,DR	C,SuppH	SuppH	Size (sq. ft.)	SH
500	\$0	\$220	\$350	\$310	\$380	\$250	\$220	\$200	\$0	400	\$30
600	\$10	\$230	\$360	\$330	\$400	\$260	\$230	\$200	\$0	500	\$60
700	\$30	\$240	\$380	\$340	\$410	\$280	\$240	\$200	\$0	600	\$100
800	\$40	\$260	\$390	\$350	\$420	\$290	\$260	\$200	\$0	700	\$140
900	\$50	\$270	\$400	\$370	\$440	\$310	\$270	\$200	\$0	800	\$180
1000	\$70	\$280	\$420	\$380	\$450	\$320	\$290	\$200	\$0	900	\$220
1100	\$80	\$300	\$430	\$400	\$470	\$330	\$300	\$200	\$0	1000	\$250
1200	\$90	\$310	\$440	\$410	\$480	\$350	\$310	\$200	\$0	1100	\$290
1300	\$110	\$330	\$460	\$420	\$490	\$360	\$330	\$200	\$0		
1400	\$120	\$340	\$470	\$440	\$510	\$370	\$340	\$200	\$0		
1500	\$140	\$350	\$490	\$450	\$520	\$390	\$350	\$200	\$0		
1600	\$150	\$370	\$500	\$460	\$530	\$400	\$370	\$200	\$0		
1700	\$160	\$380	\$510	\$480	\$550	\$420	\$380	\$200	\$0		

Allowa

Type of Appliance

*le Investment for Additional Gas Loads and
Single Appliance Installations*

	<i>Single Family Revenue</i>	<i>Multi- Family Revenue</i>	<i>Mobile Family Revenue</i>
H,WH, and others	\$80	NA	NA
H only	\$70	NA	NA
H,WH and others	NA	\$20	\$40
H only	NA	\$10	\$40
allon min.)	\$70	\$70	\$40
	\$360	\$360	\$240
	\$30	\$30	\$20
	\$40	\$40	\$20
	\$120	\$120	\$80
	\$130	\$130	\$90
	\$20	\$20	\$10
	\$30	\$30	\$20
	\$40	\$40	\$30

**Allowable Investment
Single Family & Multi-Family
For Gas HP**

Size sq. ft.	SH,AC	SH,WH AC	SH,WH AC,C	SH,WH AC,C,GL	SH,WH AC,GL	SH,WH,AC C,GL,DR	SH,WH AC,C,DR	SH,WH AC,DR
Gas Ht. Pu (3 ton unit)	\$840	\$1,250	\$1,290	\$1,440	\$1,400	\$1,480	\$1,330	\$1,290

Therm		Usage	
Appl.			
SH	0.320 per s.f.		
MF SH	0.160 per s.f.		
Mob. SH	0.670 per s.f.		
WH	281		
C	40		
DR	41		
GL	154		
GR	15	Cooling	Heating
GHP	1037	327	710
Auxiliary WH	70		
Supp. Heating	59		

Size
sq. ft. SH, AC

Gas Ht. Pu \$470
(3 ton unit)

Other input variables		15 years	10 years
Level annual carrying charge single & multi ser & main		17.31%	20.40%
Level annual carrying charge all res. customers met & reg		20.92%	23.91%
Level annual carrying charge mobile home ser & main		30.78%	
Meter/regulator	\$141 or \$29	\$29	\$34
Customer acct. exp.	\$33 (Based on account #'s in FERC Form 2)		
Street Crossing Chg.	\$121	\$21	\$25
Filed Cost Service	\$9.27 per foot		

Chattanooga R-1	
WH revenue	\$0.250
AC revenue	\$0.045
SH revenue	\$0.175
Base revenue	\$0.175
Annual Cust Charge	\$90.00 (12 months x 7.50)
SH only Revenue	
SH Customer Charge	\$0.175
Suppl. Customer Charge	\$52.50 (7 months x 7.50)
	\$0.00

**Allowable Investment
Mobile or Manufactured Homes
For Gas HP**

SH,WH AC	SH,WH AC,C	SH,WH AC,C,GL	SH,WH AC,GL	SH,WH,AC C,GL,DR	SH,WH,AC AC,C,DR	SH,WH AC,DR
\$700	\$720	\$810	\$790	\$830	\$750	\$720

Allowable Investment
Single Family & Multi Family

Size (sq.ft.)	SuppH	C,SuppH	WH	SuppH WH	SuppH WH,C	SuppH WH,C,GL	SuppH WH,GL	SuppH,WH C,GL,DR	SuppH,WH C,DR	DR	Size sq.ft.
1000	\$0	\$100	\$360	\$410	\$440	\$570	\$540	\$610	\$480	\$440	400
1250	\$0	\$100	\$360	\$410	\$440	\$570	\$540	\$610	\$480	\$440	500
1500	\$0	\$100	\$360	\$410	\$440	\$570	\$540	\$610	\$480	\$440	600
1750	\$0	\$100	\$360	\$410	\$440	\$570	\$540	\$610	\$480	\$440	700
2000	\$0	\$100	\$360	\$410	\$440	\$570	\$540	\$610	\$480	\$440	800
2250	\$0	\$100	\$360	\$410	\$440	\$570	\$540	\$610	\$480	\$440	900
2500	\$0	\$100	\$360	\$410	\$440	\$570	\$540	\$610	\$480	\$440	1000
2750	\$0	\$100	\$360	\$410	\$440	\$570	\$540	\$610	\$480	\$440	1100
3000	\$0	\$100	\$360	\$410	\$440	\$570	\$540	\$610	\$480	\$440	
3250	\$0	\$100	\$360	\$410	\$440	\$570	\$540	\$610	\$480	\$440	
3500	\$0	\$100	\$360	\$410	\$440	\$570	\$540	\$610	\$480	\$440	
3750	\$0	\$100	\$360	\$410	\$440	\$570	\$540	\$610	\$480	\$440	
4000	\$0	\$100	\$360	\$410	\$440	\$570	\$540	\$610	\$480	\$440	

Allowable Investment

Mobile or Manufactured

[illegible]

Chattanooga Gas Company

Allowable Investment Tables

*Carrying Charge Based on FERC Form 2, 1998, New 99 Rates,
And 3 Year Average Filed Cost Service with Street Crossing Charge*